

Rebuilding Agricultural Markets Program (RAMP) AFGHANISTAN

Contract Implementation Strategy



Submitted by:

Chemonics International Inc.

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RAMP Contract Implementation Strategy

In July 2003, Chemonics International, Inc. (Chemonics) began implementing a contract issued by the U.S. Agency for International Development (USAID) in Afghanistan under its Rebuilding Agricultural Markets Program (RAMP). RAMP encapsulates the Mission's strategy to help the people and Government of Afghanistan rehabilitate the country's rural sector, focusing specifically on enhancing food security and increasing rural incomes. In addition to this contract, RAMP includes cooperative agreements with Land O'Lakes, the Central Asian Development Group (CADG), and IF Hope, and a participating agency services agreement (PASA) with the U.S. Department of Agriculture.

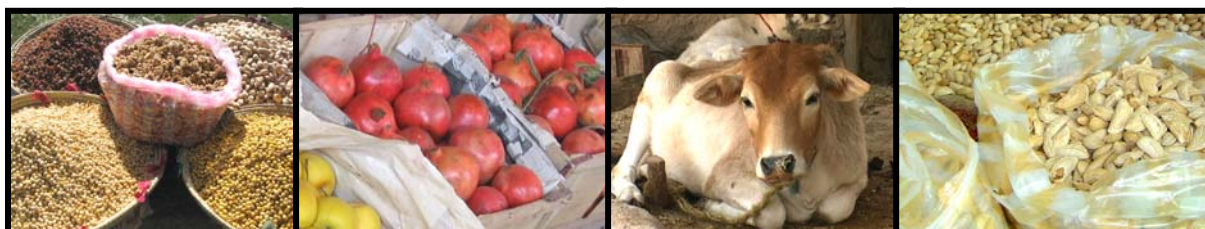
This document outlines the strategy that will guide Chemonics and its implementing partners¹ as they execute specific tasks to rehabilitate and repair infrastructure that is critical for rural sector growth, increase the flow of capital, primarily in the form of credit, to the sector, and introduce improved technology to produce and develop markets for agricultural products. The ultimate purpose of these activities is to increase the sales of agricultural products.

The sections that follow present the objectives of the contract, summarize the approach the contractor will follow to achieve those objectives, discuss the assumptions that support this effort, describe what the contract team envisions will be in place at the end of the contract, and ends with the principles that will guide this undertaking.



Displaying mung bean production in Kandahar

Contract Objective and Results Framework



The strategic objective of this contract is to increase the marketable value of agricultural products sold in local, regional and international markets by \$250 million by the end of crop year 2006.² Intermediate results that will contribute to the accomplishment of this objective are increased sales in the following:

- ***\$100 million in fresh and dried fruit;***
- ***\$20 million in fresh and dried vegetables;***
- ***\$50 million in nuts;***
- ***\$50 million in livestock and poultry;***
- ***\$30 million in wheat and food grains.***

¹ As of September 2004 over 40 implementers, including local and international NGOs, private firms, and international organizations, were carrying out RAMP activities.

² The strategic objective of RAMP is to enhance the food security and increase the incomes of Afghanistan's rural population by a) increasing agricultural productivity and output, and b) increasing incomes by making the linkages between producers, processors and markets more efficient.

The figures above are targets. The flexibility of the contract allows the contractor to pursue other opportunities as they arise.

Using a Market-Driven, Value Chain Approach

To achieve its objective, the contract team will employ a market-driven, value chain approach. This approach may be best summarized by the theme **“produce what will sell.”** Simply put, a value chain approach emphasizes the importance of strengthening all the processes from input supply, through production, post-harvest handling -- storage, transportation and processing -- and marketing to increase sales of agricultural products.

The value chain methodology provides the overall structure for implementation. In addition, the following criteria will guide the contractor’s efforts to design and implement interventions. It will:

- Concentrate on five principal, higher return product lines;
- Focus geographically in 13 provinces;
- Integrate infrastructure rehabilitation, financial services, and technology and market development components;
- Work collaboratively with other USAID contractors and grantees, key ministries of the Government of Afghanistan, and companion activities funded by other donors



Inspecting Parwan grapes for shipment to India

After describing the value chain methodology, the sections below explain briefly the logic supporting each of these criteria.

Value Chain Methodology

To implement a market-driven, value chain approach the contract team will:

- Define market needs and communicate them to intermediaries – processors, transporters, and warehouse operators – and producers along the value chain;
- Identify opportunities to create new marketing arrangements between buyers and producers;
- Increase the access producers, processors, wholesalers, retailers, and exporters have to financial resources needed to expand and improve their operations;
- Introduce new, innovative technology to increase production, and make processing, and marketing enterprises more efficient and competitive;
- Rehabilitate and repair critical infrastructure needed to increase production and make marketing more efficient;
- Make the regulatory and legal environment more supportive of agricultural sector development.



Wheat market in Kunduz

Focused Product Line

It is important to focus the product line in order to have a measurable impact and generate significant results. Afghanistan is an agricultural country that produces a broad array of crops and livestock products. Based on its preliminary assessments, the contract team will focus on the following product lines:

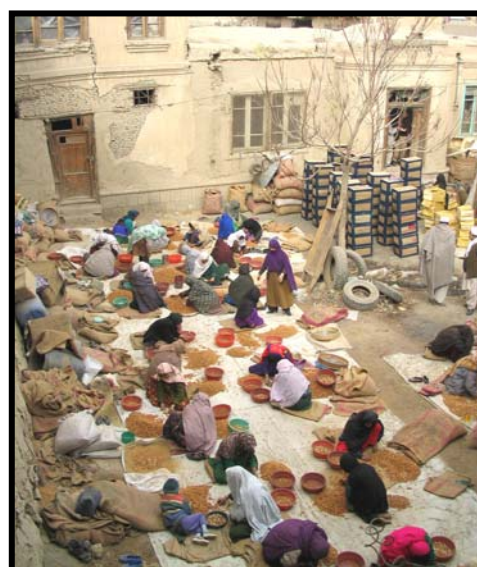
- fresh and dried fruit – grapes and raisins, fresh and dried apricots, and pomegranates;
- fresh and dried vegetables – potatoes, onions, melons, tomatoes, okra and eggplant;
- nuts – almonds, walnuts, and wild pistachio;
- livestock and poultry; and
- wheat and food grains.



Improved tomato variety for quality and yield

Economic growth in Afghanistan will have to come from agriculture and the strategic priorities for resource allocation, as defined by Mellor³, are, in rank order, (1) fruit and nuts, (2) “irrigated” livestock, (3) cotton, (4) cereals, (5) range livestock, and (6) forestry. However, growth is product specific and resource allocation has to be rationalized in such a way that only those products that have the greatest potential for expansion, incomes and employment generation, and export trade have to be promoted. The selection of high-value products will increase private sector participation, marketing activity and agribusiness capabilities, further providing additional incomes and employment opportunities for many people through both backward and forward linkages.

The contribution of agricultural products to incomes and economic development depends to a considerable extent on their competitiveness and comparative advantage in domestic production and export marketing. A combination of methods and criteria were employed to identify products that can produce the desired results and be realistically promoted under RAMP. A historical comparative analysis was conducted for product groups to estimate their contribution to the national economy. Further analysis was then conducted to evaluate the economic profitability of products to decide whether the crop, fruit, livestock and other products being undertaken in the country represent an efficient use of the country's scarce land, labor, capital and foreign exchange.



Women sorting almonds in Kabul

Geographic Parameters

Just as it is necessary to focus on product lines in order to have a measurable impact and generate significant results, it is also necessary to concentrate the contract's interventions geographically. The contractor and its implementing partners will focus the bulk of their efforts in five priority regions, encompassing 13 provinces. The specific criteria that drove this selection process included: population density to achieve maximum impact; high

³ See Mellor, John W. 2004. *Strategic Priorities for Afghanistan's Agriculture – The Key to Rapid Growth and Poverty Reduction*. Kabul; RAMP. May 11.

potential agriculture production; the presence of regional market centers; and the potential availability of transport links to major domestic and export markets. The selected regions are set forth in Table 1, below.

Table 1: Contract Priority Regions

| Initial Priority Regions for Chemonics/RAMP Contract | Population ⁴ | % Total |
|--|-------------------------|--------------|
| 1. Shomali: Parwan, Kabul, Kapisa | 4,030,215 | 19.6% |
| 2. Ghazni, Wardak, Logar | 2,602,969 | 12.6% |
| 3. Nangarhar, Laghman, Kunar | 1,809,962 | 8.8% |
| 4. Kandahar, Helmand | 1,607,231 | 7.8% |
| 5. Kunduz, Baghlan | 1,573,349 | 7.6% |
| Priority Regions Total: | 11,623,726 | 56.4% |

These five regions contain about half of the total Afghan population, are close to primary roads, have significant irrigation infrastructure and other production advantages, and have at least some marketing services concentrated in nearby regional population centers.



Rice demonstration plot in Kunduz compared to nearby farmer's field

Different regions will have different priority crops, as summarized, below:

- Dried fruit and nuts offer major export potential for producers in all the target regions, although on a smaller scale in Ghazni, Wardak and Logar;
- Potato, apples, apricots, plums and some grapes (and raisins) are important crops in Ghazni, Wardak, and Logar;
- Melon and watermelon are mainly produced in Kunduz and Helmand;
- Pistachio production is important in Kunduz;
- Vegetable production takes place in all regions, particularly in Shomali Plain, which stretches from Kabul Province through Parwan and into Kapisa; winter vegetables have the potential of offer poppy growers an alternative in Kandahar and Helmand, and have potential in Nangarhar and Kunduz; and
- All of the targeted regions produce food grains, with the heaviest concentrations in the Helmand, and the north, Kunduz and Baghlan.

⁴ 2002 population estimates from UNAIDS, Kabul

Integrating Activities for Results

The contract is comprised of four components (CLIN)⁵:

- Management, Administration and Technical Assistance
- Physical Infrastructure Reconstruction or Repair
- Rural Financial Services
- Agricultural Technology and Market Development



Roads for transport



Irrigation for water



Market centers for storage

A value chain is only as effective as its weakest component. The contract team will use RAMP resources to intervene at multiple points along selected value chains to (i) improve critical infrastructure – farm-to-market roads, irrigation systems, and market centers, (ii) increase the flow of capital, (iii) introduce improved technology and extension services to help producers become more efficient; and (iv) identify market opportunities and build market systems to take advantage of them. Identifying market opportunities drives the overall process. Implementing cost-effective interventions in a focused manner along targeted value chains will produce sustainable results. For example, to increase the marketable value of fresh fruits in a region, it may be necessary to repair roads and irrigation systems, construct market centers, establish cold storage facilities, make refrigerated transportation available, and provide operators all along the chain with better, more timely information about the specifications of the specific product(s) the market wants.

Cooperating with Other USAID Contractors and Grantees, Government Ministries and Other Donors

The challenges Afghanistan's rural population faces are enormous. To address problems resulting from nearly three decades of conflict, intermittent drought and economic mismanagement, the country needs broad support from the international donor community. To best meet the needs and serve the interests of the Afghan people, it is important that donors' interventions are complementary, timely and not duplicative.

The contract team will work closely to identify other USAID- and donor-funded activities with which it can collaborate and strive to channel scarce resources so that their impacts are complementary. In addition, it will collaborate closely with key ministries, including the Ministries of Agriculture and Animal Husbandry, Irrigation, Reconstruction and Rural



Inspecting a project with the Deputy Minister of Irrigation



Working with the MAAH Extension Department

⁵ CLIN = Contract Line Item Number

Development, and Commerce, as well as provincial and district authorities. An important part of the team's diagnostic work will be to identify other activities intervening along the priority value chains it has targeted for development. This will result in the leveraging of other donors' support and will serve to accelerate rural sector growth and well-being in Afghanistan.

Assumptions

Several critical assumptions support the strategy that will guide implementation of this RAMP contract. The first is that the political situation in Afghanistan will remain reasonably stable, if not improve, over the coming two years. This assumption hinges in large part on the October 2004 Afghan Presidential elections and what transpires afterwards. A second critical assumption concerns weather patterns. Since increased production and sales from agriculture depend upon at least near-normal rainfall and snow melt, the agriculture sector is unlikely to expand without at least average climatic conditions and adequate water resources. A third assumption is that Afghanistan's relations with its neighbors and trading partners will accommodate and support increased cross-border trade. A fourth critical assumption is that the U.S. foreign assistance program will 'stay the course' and that USAID will remain in the vanguard as far as economic development of the rural sector is concerned.

End of Contract Status

In addition to increasing sales of agricultural products by \$250 million by the end of crop year 2006, the contract will have generated the following intermediate-level outputs:

Table 2: Summary of Metrics Targets

| Indicator | Cumulative Total to Date | June 30th 2006 Target |
|---|--------------------------|-----------------------|
| Infrastructure | | |
| Km. of canal rehabilitated | 322 | 750 |
| Irrigation structures rehabilitated | 229 | 300 |
| Hectares receiving improved irrigation | 306,100 | 370,000 |
| Km. of farm to market roads rehabilitated | 160 | 900 |
| Financial Services | | |
| Micro Loans disbursed | 8400 | 15,000 |
| SMEs assisted through financing or TA | - | 200 |
| Agricultural Technology and Market Development | | |
| Number of Potential Buyers Identified | - | 120 |
| Chickens distributed | 20,249 | 200,000 |
| Women training in poultry mgmt | 4,110 | 25,000 |
| Farmers served by extension | 564,566 | 1,500,000 |
| Livestock vaccinated/treated | 3,679,222 | 12,000,000 |

The above list is only a summary. The end of contract outputs will equal the sum of all the outputs generated by the contract's implementing partners. These outputs -- improved infrastructure, more responsive financial institutions, readily available improved technology, and more efficient marketing systems -- will strengthen the foundation upon which rural sector development continues well past the contract end date.

Guiding Principles

It is essential that the contractor perform in manner that is both operationally practical and realistic in light of the current realities in Afghanistan. The following principles will guide the contract team's efforts. It will:

- Focus on the primary RAMP target. The objective of increasing the value of marketable commodities guides resource allocation. For example, RAMP Implementing Partner ICARDA is teaching Afghan farmers to produce vegetables in the off-season to be more competitive in local markets.
- Produce what will sell. A market-driven approach ensures that production responds to market demand for quality commodities at a competitive price. In Shomali Plains, for example, RAMP is helping farmers grow quality grapes of varieties demanded by export markets.
- Address problems along the value chain. Contract interventions will address impediments to improved production, value added processing, and product marketing. For example, RAMP irrigation projects in Baghlan have stimulated farmers to produce higher value crops such as vegetables. Further along the value chain, RAMP Implementing Partner Development Works Canada (DWC) will establish a vegetable drying facility in Nangarhar to increase demand and raise incomes.
- Build trust among value chain participants. The contractor will play the role of “honest broker” between parties. RAMP will work closely with traders in Pakistan and India as well as Afghanistan producer organizations of fresh and dried fruits and nuts to catalyze export-led growth.
- Integrate activities for maximum impact. The integration of agricultural production, infrastructure, finance and market development activities is critical. Within its target regions in Afghanistan RAMP will insure that where there are improved irrigation systems, there will be demonstration sites, improved access to inputs and financial services and improved roads to get to market. This integration of activities is imperative to realize maximum results.



Saffron planting demonstration in Herat



Sun dried tomatoes in Parwan



Working with Kabul raisin and almond traders

- Reform policy to support marketable output. Agricultural research and extension and other policy reform and sector planning efforts with the MAAH will work to increase marketable output. For example, RAMP has begun building the Ministry's capacity to produce agricultural extension materials to increase yields and reduce spoilage.

- Nurture the formation and expansion of commodity clusters by widely communicating individual success. An integral part of the program's strategy is to interest other potential producers, processors, marketers and investors in order to expand agriculture development activities even more. This summer, RAMP launched a successful pilot project to export grapes which has generated interest from both buyers and farmers.



Parwan grapes meeting market standards

- Coordinate with other projects and donors. RAMP activities work in conjunction with existing donor and private activities along the value chain. For example, RAMP agricultural inputs often work in tandem with road construction funded other USAID contracts or other donors. RAMP will be co-investing, along with other investors, in the Afghanistan Renewal Fund, a \$20 million equity fund to provide capital to small- and medium-sized agribusiness.



Dried apricot production in Kandahar

- Ensure programmatic flexibility. Recognize that the RAMP strategy is to serve as a guide for resource allocation, not as an operational constraint. For example, RAMP resources are being reallocated strategically to the challenges of developing and implementing an effective alternative livelihoods initiative in Helmand and Kandahar Provinces.